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FIDELITY
MORTGAGE
& SAVINGS
CORPORATION
A CANADIAN OWNED COMPANY

ANNUAL REPORT 1969



FIDELITY MORTGAGE & SAVINGS CORPORATION

ANNUAL REPORT 1969

HEAD OFFICE

39 James Street South, Hamilton, Canada

EXECUTIVE OFFICES

20 Hughson Street South, Hamilton, Canada

BRANCHES

HAMILTON:

Union Gas Bldg., 20 Hughson St. S.	-	-	H. B. Fullerton, Manager
Undermount Bldg., 143 James Street South	-	-	J. H. A. Myles, Manager

BURLINGTON:

502 Brant Street at Caroline	-	-	- R. J. Rumble, Manager
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BRANTFORD:

28 Market Street at Dalhousie	-	-	D. J. Usselman, Manager
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GUELPH:

79 Quebec St. & St. George's Square	-	-	O. Risebrough, Manager
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OFFICERS AND DIRECTORS



OFFICERS

President	-	-	-	-	-	-	-	SAM FOSTER ROSS, Q.C.
Vice-President	-	-	-	-	-	-	-	WILLIAM VANALEN HOLTON
Treasurer	-	-	-	-	-	-	-	WILLIAM ALAN MUIR, C.A.
Secretary	-	-	-	-	-	-	-	HUGH STRATHEARN HENDRIE
Mortgage Superintendent	-	-	-	-	-	-	-	FRED SMYTH PAUL
Superintendent, Savings and Branches	-	-	-	-	-	-	-	JAMES NEIL WALTON
Assistant Secretary	-	-	-	-	-	-	-	JOHN CHARLES SAVCHUK

DIRECTORS

†*FRANK WILTON BAILLIE	-	-	-	-	-	-	-	Oakville
President / Lawrence Motors (Davenport) Limited								
W. ALLAN CAMPBELL, Q.C.	-	-	-	-	-	-	-	Oakville
Partner / Hamilton, Torrance, Stinson, Campbell, Nobbs and Woods								
*GEORGE RICHARD CHATER	-	-	-	-	-	-	-	Campbellville
President / Grafton-Fraser Limited								
HUGH STRATHEARN HENDRIE	-	-	-	-	-	-	-	Burlington
Vice-President / Wenagara Corporation Limited								
*WILLIAM VANALEN HOLTON	-	-	-	-	-	-	-	Burlington
President / Glendale Spinning Mills Limited								
JAMES ROBERT ALEXANDER LANGS	-	-	-	-	-	-	-	Hamilton
President / Long Credon Holdings Limited								
*JOHN HYSLOP LUXTON	-	-	-	-	-	-	-	Kitchener
Investment Counsel								
MURRAY PROCTOR	-	-	-	-	-	-	-	Hamilton
President / Service Steel & Engineering Ltd.								
†*SAM FOSTER ROSS, Q.C.	-	-	-	-	-	-	-	Dundas
Partner / Ross & Robinson								
JOHN CAMERON TAIT	-	-	-	-	-	-	-	Burlington
President / The Hamilton Lens Company Limited								
HENRY GEORGE THODE, C.C., Ph.D., F.R.S.	-	-	-	-	-	-	-	Hamilton
President / McMaster University								
† ROBERT THOMSON	-	-	-	-	-	-	-	Montreal
Financial Consultant								

*Member of Executive Committee

†Member of Audit Committee



In accordance with our established policy, we have endeavoured in our Annual Report for 1969 to provide sufficient information to our shareholders and others who may be interested in Fidelity, to properly assess Fidelity, including the calibre of its assets, obligations, operations and management, and its future.

Results of Operations and Net Profit

The year as a whole has been a satisfactory one for Fidelity. After deducting all normal expenses and costs (including depreciation and amortization), our operating profit for 1969 amounted to \$118,089, which compares with an operating profit in 1968 of \$38,063. By the application of the balance of our losses for previous years and without using any of our available mortgage reserves, our income tax liabilities for the year were minimized at \$8,050, resulting in a net profit after taxes for the year of \$110,039, which is the equivalent of 59c per share.

Asset Growth

Fidelity's assets as at 31st December 1969 (not including agencies and other assets under administration) amounted to approximately \$25.3 million, which represents a 40% increase for the year. Of these assets, at year end approximately \$6.3 million (31st December 1968—\$4.8 million) was invested and held in Fidelity's bond and other investments portfolio and cash, and approximately \$18.9 million (31st December 1968—\$13.1 million) was invested in Fidelity's mortgage portfolio. Agencies and other assets under administration showed a slight decrease to approximately \$3.2 million (31st December 1968—\$3.5 million).

Analyses of Investments and Debenture Maturities

As in previous years and in accordance with our established policy, our Annual Report again contains analyses of Fidelity's investments and debenture maturities prepared and reported upon by our auditors. These audited analyses are set forth in detail on pages 11 to 14 of this report. Your Directors feel that these analyses, together with the annual audited financial statements provide a comprehensive picture of our Company and its operations.

Fidelity's Investments

(a) BOND AND OTHER INVESTMENTS PORTFOLIO

Fidelity's bond and other investments portfolio has excellent liquidity. This condition was maintained throughout the year at percentages considerably in excess of the statutory requirements of the Loan Companies Act of Canada and The Loan and Trust Corporations Act of Ontario. During the year our statutory reserves seldom fell below 30% of total demand deposits and other obligations maturing within 100 days (the statutory minimum requirement is 20%) and averaged approximately 35% throughout the year. Such statutory reserves must be invested or maintained in Government bonds or equivalent and cash. Excess available funds not required for our statutory reserves or for immediate investment in mortgages were invested from time to time in short term deposits with major Canadian financial institutions and demand loans to customers. The overall portfolio was maintained throughout the year at amounts varying between 40% and 55% of demand deposits and 100 day or less obligations, and at year end this percentage was approximately 54%.

(b) MORTGAGE PORTFOLIO

Fidelity's mortgage portfolio showed a net increase for the year of approximately 44% (1968—42%) and is in excellent condition. During the year mortgage interest rates rose steadily and by year end had again reached historic highs. As a result, the overall yield of our mortgage portfolio improved materially during the year to 9.13% (31st December 1968—8.22%).

Because of our excellent liquidity position and rising mortgage interest rates, steps were taken early in the year to increase the rate of growth of our portfolio, and by year end we had achieved satisfactory increases in both size and yield. Our present surplus liquidity position is enabling us to continue this policy and we are actively seeking first class mortgage investments at attractive rates.

A five year comparative percentage breakdown of Fidelity's mortgage portfolio with respect to class of security and aggregate loan amounts, number of loans, average size of loan and portfolio yield is as follows:

Class of Security	1965	1966	1967	1968	1969
Single family dwellings	90.5%	92.4%	88.5%	82.4%	73.9%
Multiple dwellings	5.5%	4.5%	8.7%	9.1%	17.0%
Commercial and industrial	4.0%	3.1%	2.8%	8.5%	9.1%
	100%	100%	100%	100%	100%
Number of loans	550	666	819	1,007	1,175
Average size of loan	\$10,100	\$10,300	\$11,245	\$12,935	\$15,987
Portfolio Yield	7.16%	7.32%	7.63%	8.22%	9.13%

Debentures and Deposits

Deposits by the public increased during the year by approximately 32% to \$10.7 million (31st December 1968—\$8.1 million) and the amount of Fidelity's outstanding debentures increased by approximately 54% to \$11.9 million (31st December 1968—\$7.7 million). Taken together, the increase in our borrowings by way of deposits and debentures during the year was approximately 43% to \$22.6 million (31st December 1968—\$15.8 million).

Although the amount of these increases is satisfactory, they were accompanied by substantial increases in our interest costs. One of the most important and difficult problems with which we are continually faced is the maintenance of a proper differential between the interest rates which we pay for our borrowed money and those which we earn on our investments.

Legislation

We are hopeful that the Federal legislation affecting loan and trust companies which has been before Parliament for over a year will be finally enacted early this year. This will include permission for loan and trust companies to enter the consumer loan field and to increase the limits of their present borrowing ratios, which, at the moment, are fixed at fifteen times paid-in capital, surplus and reserves. Each of these enactments, together with other items within the proposed legislation will not only improve our competitive position with the banks and other financial institutions, but will enable our day to day operations to proceed more smoothly.



The proposed income tax legislation as referred to in the White Paper is of considerable interest in all areas where profits are being earned. At present it is impossible to tell with accuracy and probably unwise to predict as to how the eventual tax legislation will affect our Company and its shareholders. This information should become clearer and predictable by the end of the year.

Personnel

Last year at our Annual General Meeting, one of Fidelity's founding shareholders, Mr. Robert Thomson, at that time Executive Director of The Standard Life Assurance Company, was elected a Director. Since his election Mr. Thomson has made a substantial contribution to the deliberations and discussions at the meetings of our Directors.

During the year, the responsibilities of our senior executives were widened and duly recognized with the appointments of Mr. W. A. Muir as Treasurer, Mr. F. S. Paul as Mortgage Superintendent and Mr. J. N. Walton as Superintendent, Savings and Branches.

Outlook for 1970

While there appears to be a temporary reduction in the present demand for mortgage funds, there do not appear to be any permanent factors or trends which will reduce the continuing demand for these funds during 1970. In particular, the need for housing continues to increase, and in general, the requirements for funds in the public and private sectors continue unabated. In the result, interest rates should continue at levels throughout the year at least as high as they are at the present time and the ever present problem of maintaining a proper balance between the cost of money and return on investment will continue. We are planning for a continued growth of our deposits and debentures during 1970 and expect that a continuing strong demand for mortgage funds throughout the year will provide a satisfactory source for investment of these funds.

All of the foregoing factors should favourably affect Fidelity and its operations during 1970. Unless unexpected and less favourable circumstances occur, Fidelity's profit and growth should improve for 1970.

The Directors were pleased to declare an initial dividend of 5c a share on the outstanding shares of the Company in December of 1969. The Board will be considering our 1970 dividend policy during the first quarter of the year.

In conclusion, I should again like to publicly acknowledge the tireless, faithful and capable assistance and effort so cheerfully contributed by all employees of the Company during the past year.

Yours faithfully,

On Behalf of the Board,
29th January, 1970,
Hamilton, Canada.

SAM FOSTER ROSS,
President.

REVENUE, EXPENDITURE AND SURPLUS

for the year ended December 31, 1969



	1969	1968
REVENUE:		
Interest—Mortgages	\$ 1,366,252	\$ 831,095
—Other investments	276,262	201,646
Other operating revenue	47,132	43,030
	<u>\$ 1,689,646</u>	<u>\$ 1,075,771</u>
EXPENDITURE:		
Interest on deposits and debentures	\$ 1,053,528	\$ 657,762
Bank interest	2,759	3,336
Salaries, pension fund payments and other staff benefits	296,479	203,565
All other operating expenses including commis- sions, advertising, printing, stationery and rent	203,497	159,897
Depreciation and amortization	15,294	13,148
	<u>\$ 1,571,557</u>	<u>\$ 1,037,708</u>
OPERATING PROFIT for the year	\$ 118,089	\$ 38,063
Provision for income taxes (Note 1)	8,050	—
NET PROFIT for the year	\$ 110,039	\$ 38,063
ADD: Surplus—beginning of year	47,503	49,440
	<u>\$ 157,542</u>	<u>\$ 87,053</u>
DEDUCT:		
Dividends paid	\$ 9,250	—
Transfer to general reserve	30,000	10,000
Transfer to mortgage reserve	30,000	10,000
Special expenses relating to opening of branch	—	20,000
	<u>\$ 69,250</u>	<u>\$ 40,000</u>
SURPLUS—end of year	<u>\$ 88,292</u>	<u>\$ 47,503</u>



BALANCE SHEET

ASSETS

	1969	1968
Cash and demand deposits	\$ 1,235,947	\$ 1,242,654
Bonds at cost, including amortized discount, (market: 1969 — \$1,319,204; 1968 — \$1,330,831)	1,451,081	1,410,736
Demand loans	2,085,734	1,362,927
Other short-term investments	1,497,560	845,063
	<u>\$ 6,270,322</u>	<u>\$ 4,861,380</u>
Mortgages	18,899,643	13,095,441
Prepaid and other	15,046	8,693
Fixed assets—at cost, less depreciation and amortization	126,019	121,313
	<u><u>\$25,311,030</u></u>	<u><u>\$18,086,827</u></u>

We hereby certify that we have examined the financial statement of the Corporation and that to the best of our knowledge and belief such statement is correct and shows truly and clearly the financial condition of the Corporation's affairs.

S. F. ROSS
W. V. HOLTON
H. S. HENDRIE

President
Vice-President
Secretary

} Directors

TOTAL ASSETS UNDER ADMINISTRATION

	1969	1968
Assets as above	\$25,311,030	\$18,086,827
Agencies and other assets under administration	3,192,047	3,478,953
	<u><u>\$28,503,077</u></u>	<u><u>\$21,565,780</u></u>



LIABILITIES

TO THE PUBLIC:		1969	1968
Deposits and accrued interest		\$10,685,357	\$ 8,142,105
Debentures and accrued interest		11,902,339	7,668,376
Sundry accounts		134,734	86,423
Income taxes payable		8,050	—
Unadvanced portions of mortgages		442,258	152,420
		<u>\$23,172,738</u>	<u>\$16,049,324</u>
TO THE SHAREHOLDERS:			
Capital—Authorized—500,000 shares of \$10 each			
—Issued and fully paid—			
180,000 shares	\$ 1,800,000		\$ 1,800,000
—Issued and 10% paid—			
50,000 shares	50,000		50,000
	<u>\$ 1,850,000</u>		<u>\$ 1,850,000</u>
Reserves: General	100,000		70,000
Mortgages	100,000		70,000
Surplus	<u>88,292</u>		<u>47,503</u>
		<u>\$ 2,138,292</u>	<u>\$ 2,037,503</u>
		<u>\$25,311,030</u>	<u>\$18,086,827</u>

NOTES TO FINANCIAL STATEMENTS

1. Income taxes payable for the year have been reduced due to application of the balance of losses of prior periods.
2. Total rentals paid for the year ended December 31, 1969, and minimum future commitments (excluding taxes and like expenses) under leases of a duration of more than five years are:

Year ended December 31, 1969 —	\$26,306
1970-1974	— \$36,600
1975	— \$ 610

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Fidelity Mortgage and Savings Corporation as at December 31, 1969 and the statement of revenue, expenditure and surplus for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1969, and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

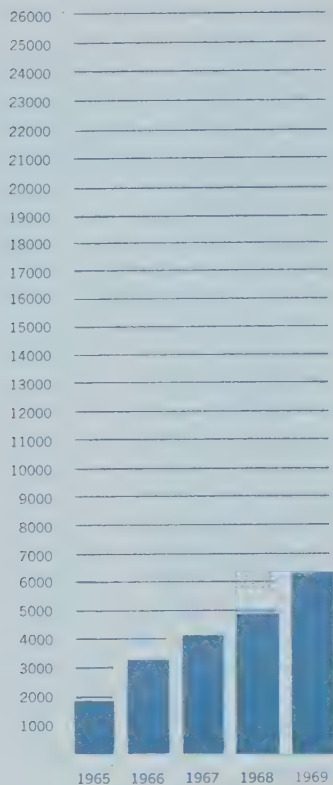
McDONALD, CURRIE & CO.,
Chartered Accountants

Hamilton, January 22, 1970.



FIVE YEAR SUMMARY

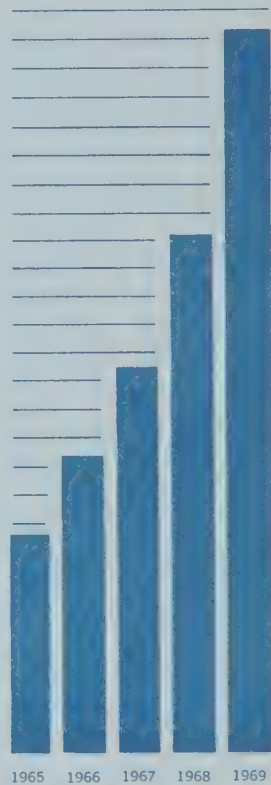
THOUSANDS OF DOLLARS



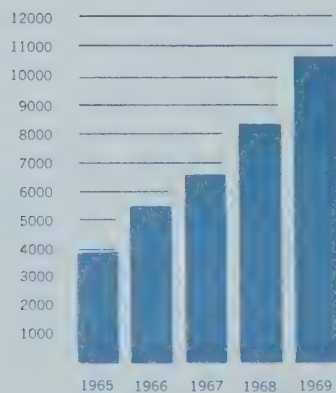
CASH, BONDS
& SECURED
DEMAND LOANS



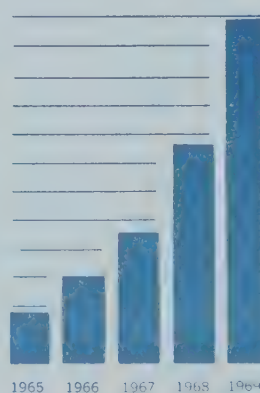
MORTGAGES



TOTAL ASSETS



DEPOSITS



DEBENTURES



CAPITAL,
RESERVES &
SURPLUS

ANALYSIS OF INVESTMENTS

as at December 31, 1969



CASH AND DEMAND DEPOSITS

Cash on hand and in the bank	\$ 669,379
Demand deposits with chartered banks	566,568
	<u>\$ 1,235,947</u>

BONDS

	Mature in	Par	Cost (including amortized discount)	Market
Government of Canada	1970	\$ 125,000	\$ 124,927	\$ 123,463
	1971	185,000	184,950	179,167
	1972	125,000	122,869	115,450
	1973	50,000	49,833	46,375
	1974	25,000	25,000	25,000
	1975-1979	120,000	118,900	102,900
	Beyond 1979	50,000	48,688	34,000
		<u>\$ 680,000</u>	<u>\$ 675,167</u>	<u>\$ 626,355</u>
Province of Ontario	1970	\$ 300,000	\$ 298,048	\$ 298,048
	Beyond 1979	225,000	225,524	163,000
		<u>\$ 525,000</u>	<u>\$ 523,572</u>	<u>\$ 461,048</u>
Canadian Municipalities	1970	\$ 35,200	\$ 35,072	\$ 34,238
	1971	51,000	50,923	49,647
	1972	31,000	30,977	30,187
	1973	25,000	24,964	22,625
	1974	5,000	4,352	3,787
	1975-1979	17,000	15,106	13,003
		<u>\$ 164,200</u>	<u>\$ 161,394</u>	<u>\$ 153,487</u>
Canadian Corporations	1970	\$ 20,000	\$ 20,000	\$ 19,938
	1987	50,000	49,572	37,000
		<u>\$ 70,000</u>	<u>\$ 69,572</u>	<u>\$ 56,938</u>
		<u>\$1,439,200</u>	<u>\$1,429,705</u>	<u>\$1,297,828</u>
Accrued interest		\$ 21,376	\$ 21,376	\$ 21,376
		<u>\$1,460,576</u>	<u>\$1,451,081</u>	<u>\$1,319,204</u>



ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1969

DEMAND LOANS

With Investment Dealers:

Secured by 105% or more market value of Government of Canada and Provincial guaranteed bonds (6 loans)	\$ 1,650,000
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With Customers:

Secured by 100% or more of Fidelity Mortgage and Savings debentures, deposits and other marketable securities (117 loans) ..	285,227
Secured by other securities and assets (25 loans)	137,804

	<u>\$ 2,073,031</u>
Accrued Interest	12,703
	<u>\$ 2,085,734</u>

OTHER SHORT-TERM INVESTMENTS*

Short-Term Notes of Canadian Financial Institutions

— Due January 5, 1970	\$ 98,755
— Due January 16, 1970	100,000
— Due January 22, 1970	99,113
— Due January 26, 1970	796,122
— Due January 28, 1970	200,000
— Due January 29, 1970	24,809
— Due February 5, 1970	172,826

	<u>\$ 1,491,625</u>
Accrued interest	5,935
	<u>\$ 1,497,560</u>

*These investments are all callable on demand prior to maturity, at option of Fidelity.

MORTGAGES PRINCIPAL BALANCE AND YIELD

1175 loans with an average yield of 9.13%

(December 31, 1968—8.22%)	\$18,785,133
Accrued Interest	114,510
	<u>\$18,899,643</u>

MATURITIES

	Amount	Percentage
1970	\$ 2,094,412	11.2
1971	838,651	4.5
1972	2,099,531	11.2
1973	3,611,582	19.2
1974	6,526,378	34.7
1975 - 1979	3,479,193	18.5
1980 - 1982	135,386	.7
	<u>\$18,785,133</u>	<u>100.0</u>

ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1969



CLASS OF SECURITY

	Number of loans	Amount	Percentage
Single Family Dwellings			
Under \$10,000	342	\$ 2,636,296	14.0
Between \$10,000 - \$20,000	696	9,747,889	51.9
Over \$20,000	64	1,509,356	8.0
	<u>1102</u>	<u>\$13,893,541</u>	<u>73.9</u>
Multiple Dwellings			
Under \$50,000	21	\$ 765,164	4.1
Between \$50,000 - \$100,000	16	1,184,743	6.3
Over \$100,000	8	1,228,431	6.6
	<u>45</u>	<u>\$ 3,178,338</u>	<u>17.0</u>
Commercial and Industrial			
Under \$50,000	15	\$ 277,866	1.5
Between \$50,000 - \$100,000	8	564,260	3.0
Over \$100,000	5	871,128	4.6
	<u>28</u>	<u>\$ 1,713,254</u>	<u>9.1</u>
	<u>1175</u>	<u>\$18,785,133</u>	<u>100.0</u>

Average loan amount — \$15,987.

GEOGRAPHICAL LOCATION

	Number of loans	Amount
Hamilton and area	578	\$ 8,301,366
Brantford and area	220	2,756,228
Burlington and area	165	2,906,658
Guelph and area	73	2,181,849
Niagara Peninsula and area	54	1,047,524
Brampton—Oakville and area	69	1,256,533
Caledonia and area	14	310,069
Simcoe and area	2	24,906
	<u>1175</u>	<u>\$18,785,133</u>



ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1969

UNADVANCED PORTIONS OF LOANS

The aggregate sum of \$442,258 remains to be advanced in respect of 26 loans.

OUTSTANDING LOAN COMMITMENTS

A total of 10 loans having an aggregate principal amount of \$210,900 have been committed by the Corporation on which no funds have been advanced.

ADMINISTRATION

Method of Payment:

Substantially all loans are repayable by combined monthly payments of principal, interest and taxes. The principal payments are based on fifteen to twenty-five year amortization plans.

Taxes:

At the date of our report, all taxes due up to and including December 31, 1969, have been paid on all properties secured by the loans except in respect of one property on which a balance of \$369 is owing.

Delinquencies:

There are no loans under foreclosure or sale proceedings.

At the date of our report all mortgage payments due up to and including December 31, 1969 have been received except for three payments aggregating \$353.

ANALYSIS OF DEBENTURE MATURITIES

	Amount	Percentage
1970	\$ 4,048,873	35.2
1971	2,204,076	19.1
1972	1,786,569	15.5
1973	1,541,269	13.4
1974	1,886,415	16.4
Beyond 1974	46,900	.4
	<u>\$11,514,102</u>	<u>100.0</u>
Accrued Interest	388,237	
	<u>\$11,902,339</u>	

AUDITORS' REPORT

In our opinion, the foregoing analyses of investments and debenture maturities are properly drawn up so as to exhibit a true and correct view of the state of the Corporation's investments and debenture maturities as at December 31, 1969.

McDONALD, CURRIE & CO.

Hamilton, January 22, 1970

Chartered Accountants



SAVINGS ACCOUNTS

Interest paid at $6\frac{3}{4}\%$ on your minimum monthly balance and credited to your account each April 30th and October 31st.

CHEQUING ACCOUNTS

Interest paid at 4% on your minimum half-yearly balance and credited to your account each April 30th and October 31st. Chequing privileges are allowed on your account.

CURRENT ACCOUNTS

The Company offers current accounts on which interest is paid on the minimum half-yearly balance. Statements and cancelled cheques are available on the first business day of each month. Where adequate balances are maintained there is no charge for the issuance of cheques.

DEBENTURES

Interest paid at competitive rates (presently $8\frac{3}{4}\%$) on terms from 1 to 5 years. Minimum amount \$100. Interest is paid half-yearly or may be compounded and paid at maturity. Debentures may be cashed at par in the event of the death of the holder, at the option of his estate.

CONSUMER LOANS

Consumer loans are now available for customers of Fidelity who wish to purchase automobiles, furniture, etc. on the instalment purchase plan. Interest rates on these loans are competitive with other financial institutions offering this facility.

TRUSTEE INVESTMENTS

Deposit Receipts and Debentures are authorized Trustee investments. Trustees may open trust savings or trust chequing accounts with the Company for surplus funds.

SAFETY DEPOSIT BOXES

These are available to our customers at reasonable rates and may be used for the safekeeping of securities, valuable documents or personal articles.

FIRST MORTGAGE LOANS

First mortgage loans are readily available at current rates to assist in the purchase of your new home or for building, remodelling, refinancing or consolidation of outstanding debts.



REAL ESTATE APPRAISALS

Our qualified appraisal staff is available to appraise your property for all purposes.

PROPERTY MANAGEMENT

Our management staff is available to manage your revenue producing properties.

AGENCY ACCOUNTS

This is a service designed to assist in the care and management of your investments. This service is particularly helpful to individuals and organizations who lack time or experience and who prefer to be relieved of the details of supervision of their investments.

SUNDRY SERVICES

Fidelity also offers the many other financial services available elsewhere including save-by mail facilities, travellers cheques, foreign remittances, money orders, etc.

FIDELITY WAS INCORPORATED BY SPECIAL ACT OF THE PARLIAMENT OF CANADA, IS LICENSED BY THE MINISTER OF FINANCE AND IS UNDER FEDERAL SUPERVISION.

FIDELITY IS A MEMBER OF THE CANADA DEPOSIT INSURANCE CORPORATION.

